NANTUCKET REGIONAL TRANSIT AUTHORITY
(a component Unit of the Massachusetts Department of Transportation)

Auditors' Report as Required by OMB Circular A-133 and
Government Auditing Standards and Related Information

Year Ended June 30, 2013

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

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# Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

The Advisory Board
Nantucket Regional Transit Authority

**Report on Compliance for Each Major Federal Program**

We have audited the Nantucket Regional Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



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**Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Bruce D. Norling, CPA, P.C.*

Sudbury, Massachusetts
August 12, 2013

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

| | Type Program | Federal CFDA Number | Agency or Pass-through Number | Total Federal Awards Expended | |
|---|---|---|---|---|---|
| Federal Agency | | | | | |
| U.S. Department of Transportation | | | | | |
| Federal Agency Subdivision | | | | | |
| Federal Transit Administration | | | | | |
| Pass Through Programs | | | | | |
| Commonwealth of Massachusetts is the Pass Through Entity | | | | | |
| Formula Grants for Other Than Urbanized Areas | A | 20.509 | FTA | $ 527,298 | * |
| Highway Planning and Construction (Federal-Aid Highway Program) | A | 20.205 | FTA | 748,923 | * |
| Total Federal Expenditures | | | | $ 1,276,221 | |

* - denotes major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1) Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Nantucket Regional Transit Authority (the Authority). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2) Summary of Significant Accounting Policies

(a) Basis of Presentation
The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual method of accounting, which is described in note 2 to the financial statements.

(b) Contract Services
The Authority contracts with third parties to provide fixed route and demand response transportation services. The costs associated with these contracts that are funded with federal assistance are presented in the Schedule of Expenditures of Federal Awards as disbursements. The Authority maintains a system to monitor the use of these funds by the contractors to assure compliance with applicable federal regulations.

(c) The Authority identified the larger Federal Programs (Type A programs) as those programs that exceed $300,000. All other programs are labeled as Type B programs.

# Bruce D. Norling, CPA, P.C.

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Advisory Board
Nantucket Regional Transit Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Nantucket Regional Transit Authority (the Authority), which compromise the Statement of Net Position as of June 30, 2013, and the related Statements of Revenues, Expenses and Changes in Net Position, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we reported to management of the Authority in a separate letter dated August 12, 2013.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bruce D. Norling, CPA, P.C.*

Sudbury, Massachusetts
August 12, 2013

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Summary Schedule of Prior Year Findings
Year Ended June 30, 2013

DEPARTMENT OF TRANSPORTATION (Federal Transit Administration)

All prior year OMB Circular A-133 findings have been resolved.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

## A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Nantucket Regional Transit Authority (the Authority).

2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the basic financial statements of the Authority were disclosed during the audit.

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 and the Report on Expenditures of Federal Awards Required by OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unqualified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.

7. The Federal Transit Administration programs tested as major programs consisted of Formula Grants for Other Than Urbanized Areas (CFDA No. 20.509) and Highway Planning and Construction (Federal-Aid Highway Program) (CFDA No. 20.205).

8. The threshold for distinguishing Type A and B programs was $300,000. Type A programs are those that exceed $300,000.

9. The Authority did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - NONE

C. FINDINGS - MAJOR FEDERAL AWARDS PROGRAMS - NONE

# Bruce D. Norling, CPA, P.C.

## MANAGEMENT LETTER

The Advisory Board
Nantucket Regional Transit Authority

In planning and performing our audit of the financial statements of Nantucket Regional Transit Authority (the Authority) for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

During our audit, we did not become aware of any matters that we considered an opportunity for strengthening internal controls and operating efficiency.

Further, we would like to compliment the Authority on its systems for controlling: 1) compliance with laws and regulations, 2) internal control, 3) inherent and fraud risk and 4) the recording and summarization of accounting transactions.

*Bruce D. Norling, CPA, P.C.*

August 12, 2013



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